

## Message Text

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44

ACTION XMB-04

INFO OCT-01 ARA-06 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 L-03 H-02 /056 W

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R 092039Z JUL 75

FM AMEMBASSY MONTEVIDEO

TO SECSTATE WASHDC 9296

LIMITED OFFICIAL USE MONTEVIDEO 2303

E.O. 11652: N/A

TAGS: EFIN, ECON, BEXP, UY

SUBJECT: EXIMBANK CONSIDERATION OF PROJECTS IN URUGUAY

REF: A) STATE 126664

B) MVD 1277

C) MVD 2239

DEPT PASS TO EXIMBANK

### 1. SUMMARY:

AS REQUESTED REF A, THIS CABLE PROVIDES INFORMATION AND ASSESSMENT OF GENERAL ECONOMIC CONDITIONS HERE AND ALSO COMMENTS ON SEVERAL SPECIFUW PROJECTS. EMBASSY CONCLUDEVS THAT IN SPITE OF CONTINUING ECONOMIC DIFFICULTIES, SITUATION IN URUGUAY HAS IMPROVED AND OFFERS INCREASED OPPORTUNITY FOR EXIM TO SUPPORT U.S. EXPORTS. END SUMMARY.

2. URUGUAY'S ECONOMIC PORBLEMS ARE WELL KNOWN AND EMBASSY UNDERSTANDS CONSIDERATION OF PROJECTS HERE IS NEGATIVELY AFFECTED BY 1973 COMMERCIAL ARREARAGES PROBLEM AND MORE RECENT LATE PAYMENTS ON LOAN/GUARANTEES 3108/3109. COMMERCIAL ARREARAGES ARE BEING RAPIDLY RESOLVED (REF C) AND LIQUIDATED, AS, HOPEFULLY, IN PROBLEM OF LATE PAYMENTS. EMBASSY ENCOURAGED BY APPROVAL OF AFE/ALCO LOAN AND BELIEVES FOLLOWING INFORMATION MAY BE USEFUL FOR EXIM IN LIMITED OFFICIAL USE

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CONSIDERING OTHER APPLICATIONS FOR PROJECTS HERE.

3. URUGUAY IS ATTEMPTING A FUNDAMENTAL REFORM OF ITS ECONOMY. THE PREVIOUS BUREAUCRATIZED, INWARD LOOKING, STATE-RUN ECONOMIC SYSTEM IS IN PART RESPONSIBLE FOR THE COUNTRY'S PRESENTLY POOR CREDIT REPUTATION. EMBASSY REPORTING PROVIDING MORE DETAILED ANALYSIS OF GOU'S REFORM EFFORTS INCLUDES THE ECONOMIC TRENDS REPORT, A-83, A-60, AND A-56. MVD 2202 DESCRIBES THE MOST RECENT STEPS TAKEN. A-31 LISTS MAJOR PROJECTS ON WHICH AMERICAN SUPPLIER

OF EQUIPMENT AND SERVICES CAN BID. EMBASSY BELIEVES POSITIVE EFFORTS GOU IS MAKING TO OVERCOME ECONOMIC STAGNATION, ESPECIALLY IN FACE OF DISRUPTED MEAT MARKET AND INCREASED PETROLEUM PRICES, DESERVE ATTENTION AND CONSIDERATION. RECENT VISIT BY JAPANESE ECONOMIC MISSION (REF C) PROVIDES EARLY WARNING OF PROBLEM THAT AMERICAN EXPORTERS WILL FACE IF THEY CANNOT OFFER COMPETITIVE FINANCING AND MAY MEAN CONCEDING FUTURE SALES TO FOREIGN RIVALS AS PROSPERITY RETURNS. APPROVAL OF IMF STANDBY AND VISIT BY WORLD BANK TEAM NOW DEVELOPING A \$35 MILLION INDUSTRIAL LOAN ARE FURTHER INDICATIONS OF POSITIVE DEVELOPMENTS, AS IS INCREASING PORTION OF URUGUAY'S EXPORTS BASED ON PROCESSING DOMESTIC RAW MATERIALS. NEW USAID LOANS ARE BOTH AN INDICATION OF OUR SUPPORT AND AN OPPORTUNITY FOR U.S. EXPORTERS.

4. RETURN OF PROSPERITY IS, OF COURSE, NOT AUTOMATIC AND GOU REFORM PROGRAM IS ONE THAT WILL TAKE TIME, WITH NO GUARANTEE OF SUCCESS. YET, AS NOTED IN CASP AND OTHER AMBASSY POLICY SUBMISSIONS, URUGUAY IS AN ALLY WHO U FRIENDSHIP BASED ON SHARED OBJECTIVES AND A COMMON PERCEPTION OF INTERESTS. U.S. INTERESTS CALL FOR SUCH SUPPORT AS REASONABLE TO ENCOURAGE CONTINUED GOU PURSUIT OF MUTUALLY ADVANTAGEOUS POLICIES.

5. WE WILL REMAIN ALERT TO EXPORT OPPORTUNITIES AND WILL SUBMIT INFORMATION ON SPECIFIC PROJECTS, AS FOR EXAMPLE FORWARDED REF B, AND UPON REQUEST. AT THE SAME TIME, EMBASSY WOULD APPRECIATE BEING INFORMED OF DECISIONS MADE ON THESE LARGE PROJECTS AND THE CRITERIA BEING USED. WE BELIEVE IT IMPORTANT TO RECEIVE SUCH INFORMATION, PERHAPS IN FORM OF COPIES OF PRELIMINARY COMMITMENT REQUESTS OR EXTRACTS OF EXIM DECISIONS, WHETHER APPROVED OR NOT. EMBASSY FORMERLY RECEIVED THESE EXTRACTS WHICH ENABLED US TO REPLY TO SPECIFIC INQUIRIES AND WERE ALSO USEFUL IN ASSESSING OPPORTUNITIES LIMITED OFFICIAL USE

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FOR EXIM ROLE IN OTHER PROJECTS.

6. EMBASSY INFORMALLY AWARE OF TWO RECENT PROJECTS WHICH HAVE BEEN REFUSED BY EXIM. REFUSALS OF CATERPILLAR REQUEST (REF B) AND REQUEST BY IMODCO OF LOS ANGELES TO PROVIDE GUARANTEE FOR SALE OF PETROLEUM BUOY HAVE RESULTED IN LOSS THESE SALES OPPORTUNITIES TO FOREIGN RIVALS. WHILE THERE MAY BE REASONS OF WHICH WE ARE UNAWARE FOR SUCH REFUSALS, OUR C

PETITORS APPARENTLY CONCLUDED  
THAT THESE PROJECTS WERE SOUND AND OFFERED ADEQUATE GUARANTEES  
FOR REPAYMENT.

7. IN CONCLUSION, EMBASSY BELIEVES THAT PROGRESS BEING MADE HER  
WARRANTS FURTHER CONSIDERATION BY EXIM OF PROJECTS ON CASE-  
BY-CASE BASIS. THE JAPANESE APPARANTLY FEEL (REF C) THAT THINGS  
ARE A BIT "BETTER", AND THAT OPPORTUNITIES FOR PRUDENT EXPORT  
CREDITS MAY BE INCREASING. OUR INFORMATION FROM UK AND EUROPEAN  
COMMERICAL ATTACHES HERE INDICATES THEY ARE IN THE PROCESS OF A  
SIMILAR REASSESSMENT.

8. GDS.  
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## Message Attributes

**Automatic Decaptioning:** X  
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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** BANK LOANS, PROGRAMS (PROJECTS)  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 09 JUL 1975  
**Decaption Date:** 01 JAN 1960  
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